

Message Text

CONFIDENTIAL

PAGE 01 NEW DE 02021 01 OF 02 101617Z
ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02 OPIC-03
CIEP-01 LAB-04 SIL-01 OMB-01 PC-01 MMO-01 AGRE-00
/086 W

-----101753Z 126285 /44

R 101154Z FEB 77
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 1152
INFO AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS
AMEMBASSY COLOMBO
AMEMBASSY DACCA
AMEMBASSY ISLAMABAD
AMEMBASSY KATHMANDU
CINCPAC

C O N F I D E N T I A L SECTION 1 OF 2 NEW DELHI 2021
CINCPAC FOR POLAD

E.O. 11652: GDS
TAGS: PINT, IN, ELAB
SUBJECT: LABOR AND THE ELECTIONS

REF: CERP 0005

INTRODUCTION AND SUMMARY:

TO WHAT EXTENT IS THERE A LABOR VOTE AND TO WHAT EXTENT CAN
THE TRADE UNIONS CONTROL IT? IN POSING THE QUESTION OF
THE EXISTENCE OF A LABOR VOTE, WE ARE ASKING WHETHER THE APPROXI-
MATELY 20 MILLION PERSONS EMPLOYED IN INDUSTRY, COMMERCE, AND
GOVT VOTE AS A BLOC ON THE BASIS OF COMMONLY PERCEIVED INTERESTS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 NEW DE 02021 01 OF 02 101617Z

AND PROBLEMS. IN THE ABSENCE OF SURVEY DATA THE MOST THAT WE
CAN DO IS SUGGEST SEVERAL INDIRECT INDICATORS OF THE POLITICAL
IMPORTANCE OF THE LABOR FACTOR: (1) THE ISSUES CITED BY TRADE UNION
LEADERS AND POLITICIANS AS BEING OF SPECIAL CONCERN TO WORKERS,
AND (2) THE GOI'S EFFORTS TO DEAL WITH THESE PROBLEMS ON THE EVE
OF ELECTIONS. ADDITIONALLY, ZE CAN LOOK AT THE DEGREE TO WHICH
THE LABOR FACTOR WAS RECOGNIZED IN THE 1971 ELECTION BY

NOTING THE NUMBER OF DISTRICTS WITH SIGNIFICANT LABOR
CONSTITUENCIES WHICH ELECTED TRADE UNION LEADERS TO PARLIAMENT.

THE FOLLOWING ARE THE MOST IMPORTANT LABOR ISSUES IN THE UPCOMING
ELECTION: THE GOI'S ANNUAL BONUS POLICY, RECTIFIED IN FAVOR OF
THE WORKERS THE DAY BEFORE ELECTIONS WERE ANNOUNCED; THE INCREASE
IN THE COST OF LIVING SINCE MARCH, WHICH THE GOI HAS TRIED TO STEM
BY MEASURES TO REDUCE FOOD PRICES; AN ANONMALOUS REDUCTION IN
THE COST OF LIVING ALLOWANCE AND A LOSS OF OVERTIME PAY FOR MANY
WORKERS, SO THAT THEIR NOMINAL AND REAL EARNINGS HAVE DECLINED
IN RCENT MONTHS; WORSENING UNEMPLOYMENT, ESPECIALLY IN URBAN
AREAS AND AMONG THE EDUCATED; INCREASED RESORT BY COMPANIES TO
LOCK-OUT AND LAYOFF; AND THE CURTAILING OF TRADE UNION RIGHTS
DURING THE EMERGENCY. IN THE OUTGOING LOK SABHA RELATIVELY FEW
TRADE UNION LEADERS WERE ELECTED TO REPRESENT DISTRICTS WITH
SIGNIFICANT LABOR CONSTITUENCIES. POLITICAL PARTIES APPARENTLY
DO NOT TREAT LABOR AS A BLOC VOTE AND PROBABLY ALSO QUESTION THE
POLITICAL INFLUENCE OF TRADE UNION LEADERS. GREATER SIGNIFICANCE
IS ATTACHED TO FACTORS SUCH AS CASTE AND COMMUNITY. WE REACH THE
TENTATIVE CONCLUSION THAT THE LABOR FACTOR IS NOT INSIGNIFICANT,
BUT THERE ARE OTHER FACTORS WHICH ARE PROBABLY MORE IMPORTANT
IN INFLUENCING WORKERS' VOTING. END SUMMARY.

1. FIRST, IT IS CLEAR THAT THERE ARE PROBLEMS WHICH ARE UNDER-
STOOD BY WKERS AND POLITICIANS ALIKE TO BE LABOR ISSUES.
THESE ARE THE ISSUES WHICH ARE VOICED BY TRADE UNION LEADERS
AND POLITICIANS AND WHICH HAVE PROMPTED GOI RESPONSES, SOMETIMES
WITH THE IMMEDIATE POLITICAL REPERCUSSIONS CLEARLY IN MIND.
THE MOST IMPORTANT SUCH ISSUE FOR THE MARCH ELECTION IS THE GOI'S
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 NEW DE 02021 01 OF 02 101617Z

BONUS POLICY. BEGINNING IN 1976 INDUSTRIAL WORKERS WERE DENIED
THEIR ANNUAL BONUS EXCEPT WHERE THE EMPLOYER REALIZED IN "ALLOCABLE
SURPLUS". WHERE A COMPANY HAD SUFFERED LOSSES IN PRIOR YEARS,
IT PROBABLY WOULD NOT HAVE SUCH A SURPLUS, EVEN THOUGH THE CURRENT
YEAR WAS PROFITABLE. FOR MANY WORKERS THIS MEANT A LOSS OF A
MONTH'S EXTRA PAY. ON JANUARY 17, THE DAY BEFORE ELECTIONS WERE
ANNOUNCED, THE GOI AMENDED ITS BONUS POLICY; HENCEFORTH A MINIMUM
BONUS OF RS. 100 WOULD HAVE TO BE PAID IF THE EMPLOYER REALIZED
ANY PROFIT AT ALL IN THE CURRENT YEAR. IN ADDITION, THE WORKERS
WERE GIVEN THE RIGHT TO DEMAND AUDITS OF COMPANY ACCOUNTS AND TO
QUESTION THE PROPRIETY OF EXPENDITURES. WHILE THIS LATTER
PROVISION WAS ROUNDLY APPLAUDED BY ORGANIZED LABOR AND DECIED BY
MANAGEMENT, WORKERS GENRALLY HAVE DISMISSED THE RS. 100 AS AN
INSUFFICIENT TOKEN. THE SECRETARY OF THE LABOR MINISTRY ADMITTED
TO THE LABOR COUNSELOR THAT THE WORKERS WERE RIGHT BUT SAID THAT
NOTHING MORE WAS POSSIBLE. SOME TRADE UNION LEADERS STILL,
HOWEVER, EXPECT FURTHER ADJUSTMENTS IN THE BONUS POLICY. FOR
EXAMPLE, IN THE COAL INDUSTRY WHERE PRODUCTION HAS BEEN GREATLY
EXPANDED, WORKERS EVEN UNDER THE NEW FORMULA WILL BE CONTINUED

TO BE DENIED A BONUS, BECAUSE THE INDUSTRY DOES NOT MAKE A PROFIT.
(COAL IS UNDERPRICED SO AS TO SUBSIDIZE OTHER INDUSTRIES.)
AN INTUC MINE WORKERS LEADER AND MP CONFIDENTLY TOLD US THAT
THIS PROBLEM WOULD BE SOLVED BEFORE ELECTION DAY.

2. THE RECENT RISE IN PRICES IS PROBABLY THE SECOND MOST IMPORTANT ISSUE FOR INDUSTRIAL WORKERS. WHILE THE AVERAGE MONTHLY CONSUMER PRICE INDEX (CPI) FOR 1976 WAS 8 PERCENT LOWER THAN IN 1975, THE INDEX INCREASED BY 7 PERCENT FROM MARCH TO NOVEMBER 1976 (THE LAST MONTH FOR WHICH THE CPI IS AVAILABLE). TO CHECK THIS UPWARD PRICE TREND THE GOI HAS LIBERALIZED THE IMPORTATION OF EDIBLE OILS, ARRANGED FOR THE DISTRIBUTION OF QUANTITIES OF GROUNDNUT OIL FROM GUJARAT, AUTHORIZED THE INTER-STATE SHIPMENT AND SALE OF WHEAT, ORDERED THE RELEASE AND SALE AT REDUCED PRICES OF GOVT-OWNED WHEAT, AND INCREASED WHEAT RATION DISTRIBUTED BY FAIR PRICE SHOPS BY 50 PERCENT.

(CONT....)

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 NEW DE 02021 01 OF 02 101617Z

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 NEW DE 02021 02 OF 02 101641Z

ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 PC-01 MMO-01 AGRE-00

/086 W

-----101750Z 126624 /44

R 101154Z FEB 77

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 1153

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

AMEMBASSY COLOMBO

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

CINCPAC

C O N F I D E N T I A L SECTION 2 OF 2 NEW DELHI 2021

CINCPAC FOR POLAD

REF: CERP 0005

3. AN IMPORTANT COMPONENT OF WAGES IS THE DEARNESS ALLOANCE (D.A. OR COST OF LIVING ALLOWANCE. THIS ALLOWANCE IS TIED TO THE CPI, BUT THERE IS A DELAY BEFORE PRICES INCREASES ARE TRANS-LATED INTO INCREASED D.A. THE RESULT IS THAT THE D.A. NOW BEING PAID REFLECTS THE EARLIER DECLINE IN THE CPI AND NOT THE MORE RECENT INCREASE. IT IS UNLIKELY THAT THIS ANOMALY WILL BE REVERSED PRIOR TO THE ELECTIONS. FOR EXAMPLE, THE LOWEST CATEGORY OF WORK-ERS IN A NATIONWIDE SAMPLE OF TEXTILE MILLS WAS EARNING RS. 371 IN JANUARY 1976, BUT ONLY RS. 352 IN SEPTEMBER. SIMILARLY, CENTRAL GOVT EMPLOYEES SUFFERED A REDUCTION IN THEIR D.A. IN OCTOBER 1976. A RELATED PROBLEM IS THE GOI'S ANTI-INFLATIONARY
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 NEW DE 02021 02 OF 02 101641Z

POLICY--EXTENDED TO JULY 1977--OF WITHHOLDING 50 PERCENT OF IN-CREASES IN D.A.

4. AN ADDITIONAL FACTOR REDUCING WORKERS' TAKE-HOME PAY IS THE REDUCTION IN OVERTIME WORK PARTIALLY AS THE RESULT OF RECESSION IN CERTAIN INDUSTRIES BUT MAINLY AS THE RESULT OF THE TIGHTENED DISCIPLINE IMPOSED DURING THE EMERGENCY. IN SUM, MANY INDUSTRIAL WORKERS HAVE PROBABLY SUFFERED A DECLINE IN THEIR NOMINAL AND REAL EARNINGS IN THE MONTHS PRIOR TO ELECTIONS. UNFORTUNATELY, THERE ARE NO STATISTICS AVAILABLE TO VERIFY THIS CONCLUSION.

5. ANOTHER ROBLEM--THE MOST SERIOUS ONE WORKERS FACE--IS UNEM-PLOYMENT. UNLIKE THE PROBLEM OF EARNINGS DISCUSSED ABOVE, THIS PROBLEM IS NOT ONE WHICH HAS ESPECIALLY WORSENERED IN THE MONTHS PRIOR TO THE ELECTION. NEVERTHELESS, IT IS A CUMULATIVE PROBLEM WITH POSSIBLE CONSEQUENCES FOR THE ELECTIONS. ACCORDING TO RECENTLY RELEASED SURVEY DATA FOR THE YEARS 1972-1973 (THE TRENDS REPORTED-HAVE NOT ALTERED SINCE THEN), ABOUT 30 PERCENT OF THE WORK FORCE (RURAL AND URBAN) DOES NOT HAVE STABLE AND ADEQUAT EMPLOYMENT. OF THIS ABOUT 14 PERCENT (34 MILLION PERSONS IN 1972-1973) WERE CONSIDERED MOST SERIOUSLY AFFECTED. MOST POLITICALLY SIGNIFICANT IS THE FACT THAT DURING THE 11 YEAR PERIOD ENDING IN 1973 HARD CORE UNEMPLOYMENT IN URBAN AREAS TRIPLED, WHILE REMAIN-ING CONSTANT IN THE COUNTRYSIDE. UNEMPLOYMENT IS INCREASING AT THE SAME RATE AS THE POPULATION, WITH THE RESULT THAT THE BACKLOG OF UNEMPLOYMENT IS MOUNTING. WHILE EMPLOYMENT EXCHANGE FIGURES ARE LESS RELIABLE INDICATORS OF ACTUAL UNEMPLOYMENT, THEY DO DE-PICT AN OMINOUS TREND: FOR ACH OF THE LAST THREE YEARS THE NUMBER OF PERSONS REGISTERED INCREASED BY AN AVERAGE OF 8 PERCENT. THE NUMBER OF REGISTERED EDUCATED UNEMPLOYED ANNUALLY

INCREASED BY AN AVERAGE OF 11 PERCENT.

6. TO PROTECT EXISTING JOBS THE GOI HAS HAD LEGISLATION PASSED MAKING IT VERY DIFFICULT FOR FIRMS TO LAY OFF OR RETRENCH WORKERS. COMPANIES, FACED WITH CONDITIONS OF RECESSION, HAVE IN MANY CASES SOUGHT TO AVOID THE NEW RESTRICTIONS BY FIRING "TEMPORARY" CONFIDENTIAL

CONFIDENTIAL

PAGE 03 NEW DE 02021 02 OF 02 101641Z

WORKERS (E.G; THE JUTE INDUSTRY) OR BY FOMENTING LABOR UNREST SO AS TO BE ABLE TO LOCK-OUT. WHILE THE TOTL PRODUCTION TIME LOST DUE TO LABOR DISPUTES HAS DRAMATICALLY DECLINED BECAUSE OF THE EMERGENCY, THE PROPORTION LOST DUE TO LOCK-OUTS AS COMPARED TO STRIKES HAS ALMOST DOUBLED DURING THE FIRST SIX MONTHS OF 1976.

7. ANOTHER POLITICALLY RELEVANT ISSUS IS THE CURTAILING OF TRADE UNION RIGHTS AND ACTIVITIES DURING THE EMERGENCY. WORKERS HAVE GENERALLY RESENTED THE DE FACTO BEN ON STRIKES AND OTHER FORMS OF PROTEST ACTIVITY ENFORCED BY THE ARREST OF THEIR LEADERS UNDER MISA. MORE IMPORTANTLY THEY HAVE VIEWED GOI POLICY AS PRO-MANAGEMENT AND POINT TO THE BONUS. THE INCREASE IN THE USE OF THE LOCK-OUT IS SID TO PROVE THAT MANAGEMENT IS BEING ALLOWEPEY TO TAKE ADVARLAGEE OF THE EMERGENCY.

8. RMM THE ABOVE, IT IS CLEAR THAT THERE ARE A NUMBER OF ISSUES WHICH PRIMA FACIES SHOULD BE RELEVANT IN INFLUENCING THE VOTING OF LLABOR. WHAT WE CANNOT MEASURE, HOWEVER, IS THE IMPORTANCE OF THESE ISSUES AS COMPARED TO OTHER FACTORS SUCH AS CASTE, COMMUNITY, AND RURAL TIES. AN ADDITIONAL INDICATOR OF THE POLITICAL IMPORTANCE OF THE LABOR FACTOR IS THE EXTENT TO WHICH WORKERS ELECT TRADE UNIONISTS TO PARLIAMENT. OF THE 113 DISTRICTS IN THE OUTGOING LOK SABHA IDENTIFIED AS HAVING SIGNIFICANT LABOR CONSTITUENCIES, ONLY 19 WERE REPRESENTED BY TRADE UNION LEADERS. AN ADDITIONAL SEVEN TRADE UNION LEADERS (SOME OF THEM ONLY NOMINAL) WERE MP'S BUT FROM NON-LABOR CONSTITUENCIES. THERE ARE TWO POSSIBLE EXPLANATIONS FOR THIS: FIRST, THAT TRADE UNION LEADERS ARE NOT CREDITED BY THE POLITICAL PARTIES AS HAVING MUCH POLITICAL INFLUENCE WITH THE WORKERS AND DID NOT RECEIVE TICKETS, AND SECOND, THAT POLITICAL PARTIES DO NOT VIEW LABOR AS VOTING IN A BLOC. IN OUR OPINION, BOTH CONCLUSIONS ARE GENERALLY CORRECT, ALTHOUGH THERE ARE NOTABLE EXCEPTIONS TO EACH. WE ARE ONLY ABLE TO REACH THE TENTATIVE CONCLUSION THAT WHILE THE LABOR FACTOR IS NOT INSIGNIFICANT--THIS IS RECOGNIZED BY THE GOI IN ITS EFFORTS TO DEAL WITH LABOR PROBLEMS ON THE EVE OF ELECTIONS, THERE ARE OTHER FACTORS WHICH ARE PROBABLY MORE CONFIDENTIAL

CONFIDENTIAL

PAGE 04 NEW DE 02021 02 OF 02 101641Z

IMPORTANT IN INFLUENCING WORKERS' VOTING
SCHNEIDER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WAGES, CERP 0005, LABOR UNIONS, NATIONAL ELECTIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 10-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977NEWDE02021
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770048-0393
Format: TEL
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770254/aaaabvwp.tel
Line Count: 280
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 695174c8-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3354696
Secure: OPEN
Status: NATIVE
Subject: LABOR AND THE ELECTIONS
TAGS: PINT, ELAB, IN
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/695174c8-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009